

FAITH FAMILY MEDICAL CENTER, INC.
Financial Statements
December 31, 2017 and 2016

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Faith Family Medical Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Faith Family Medical Center, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Family Medical Center, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

April 23, 2018

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 1,831,671	\$ 510,831
Investments	1,983,923	1,884,006
Contributions and Grants Receivable	819,221	374,997
Accounts Receivable	8,976	4,487
Prepaid Expenses	32,652	25,390
	4,676,443	2,799,711
Property and Equipment		
Land	790,545	-
Building and Improvements	544,609	214,909
Computer Equipment	216,589	209,199
Medical Equipment	44,089	40,804
Office Equipment	61,343	61,343
	1,657,175	526,255
Less: Accumulated Depreciation	(481,452)	(424,483)
	1,175,723	101,772
Other Assets		
Contributions and Grants Receivable, Net	303,832	22,400
Deposits	300	1,995
	304,132	24,395
	6,156,298	2,925,878
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 21,024	\$ 16,697
Tenant Deposits Payable	2,545	-
Earned Time Off	74,351	88,153
Accrued Payroll and Taxes	50,640	45,485
	148,560	150,335
Long-Term Debt		
Notes Payable	1,092,712	-
	1,092,712	-
	1,241,272	150,335
Net Assets		
Unrestricted	2,555,601	2,374,987
Temporarily Restricted	2,359,425	400,556
	4,915,026	2,775,543
	6,156,298	2,925,878

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Medical Services, Net	\$ 198,935	\$ -	\$ 198,935	\$ 192,825	\$ -	\$ 192,825
Contributions and Grants	1,203,658	2,411,205	3,614,863	1,083,709	322,600	1,406,309
Investment Income, Net	287,381	-	287,381	99,910	-	99,910
Donated Medical Services	75,936	-	75,936	78,415	-	78,415
Donated Rent	65,810	-	65,810	61,200	-	61,200
Donated Equipment, Supplies, and Services	66,409	-	66,409	30,909	-	30,909
Interest and Other Income	17,292	-	17,292	10,248	-	10,248
Net Assets Released from Restrictions	382,336	(382,336)	-	425,379	(425,379)	-
Total Revenue and Support	<u>2,297,757</u>	<u>2,028,869</u>	<u>4,326,626</u>	<u>1,982,595</u>	<u>(102,779)</u>	<u>1,879,816</u>
Expenses						
Program Expenses	<u>1,854,007</u>	<u>-</u>	<u>1,854,007</u>	<u>1,685,852</u>	<u>-</u>	<u>1,685,852</u>
Supporting Services						
Management and General Expenses	107,305	-	107,305	112,794	-	112,794
Fundraising Expenses	225,831	-	225,831	220,426	-	220,426
Total Supporting Services	<u>333,136</u>	<u>-</u>	<u>333,136</u>	<u>333,220</u>	<u>-</u>	<u>333,220</u>
Total Expenses	<u>2,187,143</u>	<u>-</u>	<u>2,187,143</u>	<u>2,019,072</u>	<u>-</u>	<u>2,019,072</u>
Increase (Decrease) in Net Assets	110,614	2,028,869	2,139,483	(36,477)	(102,779)	(139,256)
Net Assets - Beginning of Year	<u>2,374,987</u>	<u>400,556</u>	<u>2,775,543</u>	<u>2,411,464</u>	<u>503,335</u>	<u>2,914,799</u>
Net Assets - End of Year	<u>\$ 2,485,601</u>	<u>\$ 2,429,425</u>	<u>\$ 4,915,026</u>	<u>\$ 2,374,987</u>	<u>\$ 400,556</u>	<u>\$ 2,775,543</u>

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Management and General	Fundraising			Management and General	Fundraising		
Advertising and Marketing	\$ 38,785	\$ 219	\$ 204	\$ 39,208	\$ 50,515	\$ 26	\$ -	\$ 50,541
Bad Debt	1,685	-	-	1,685	1,852	-	7,308	9,160
Building Repairs and Maintenance	9,324	547	547	10,418	9,295	564	564	10,423
Salaries	1,041,778	51,176	99,781	1,192,735	993,103	51,117	86,045	1,130,265
Taxes	73,424	3,964	7,727	85,115	69,763	3,933	6,625	80,321
Benefits	128,037	5,504	7,625	141,166	101,523	4,312	5,901	111,736
Bank Service Charges	5,391	-	1,155	6,546	2,634	-	1,269	3,903
Contract Labor	31,008	14,649	7,481	53,138	26,854	13,806	526	41,186
Continuing Education	2,620	405	3,992	7,017	2,753	4,697	829	8,279
Donated Medical Services	75,936	-	-	75,936	78,415	-	-	78,415
Dues and Subscriptions	7,740	75	6,259	14,074	9,856	1,231	6,257	17,344
Equipment Repairs and Maintenance	20,475	519	3,318	24,312	14,342	219	3,143	17,704
Fees and Licenses	1,843	-	240	2,083	2,456	20	240	2,716
Insurance	16,112	4,120	710	20,942	14,992	4,067	980	20,039
Loan Interest	8,102	-	-	8,102	-	-	-	-
Lab Services	28,290	-	-	28,290	30,554	-	-	30,554
Meals	4,657	705	9,419	14,781	3,858	1,651	22,519	28,028
Miscellaneous	1,665	902	149	2,716	1,496	1,062	176	2,734
Postage and Handling	2,331	159	11,010	13,500	1,855	11	7,133	8,999
Printing and Publications	2,950	-	19,696	22,646	4,854	101	13,526	18,481
Professional Fees	121,170	14,875	25,200	161,245	67,127	17,050	11,841	96,018
Rent - Building	78,928	5,356	5,356	89,640	79,028	5,363	5,363	89,754
Rent - Equipment	7,301	321	645	8,267	6,087	541	618	7,246
Specific Assistance to Individuals	14,145	-	-	14,145	676	-	-	676
Special Events	-	-	6,613	6,613	-	-	33,708	33,708
Supplies - Medical	32,693	-	-	32,693	14,659	-	-	14,659
Supplies - Office	11,803	843	4,617	17,263	12,315	532	1,822	14,669
Travel	2,507	604	427	3,538	1,270	97	171	1,538
Utilities	25,654	971	971	27,596	23,621	534	534	24,689
Wellness	4,764	-	-	4,764	5,975	-	-	5,975
Total Before Depreciation	1,801,118	105,914	223,142	2,130,174	1,631,728	110,934	217,098	1,959,760
Depreciation	52,889	1,391	2,689	56,969	54,124	1,860	3,328	59,312
Total Expenses	\$ 1,854,007	\$ 107,305	\$ 225,831	\$ 2,187,143	\$ 1,685,852	\$ 112,794	\$ 220,426	\$ 2,019,072

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 2,139,483	\$ (139,256)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	56,969	59,312
Donated Property and Equipment	(25,000)	-
Donated Investments	(536,684)	(20,203)
Realized Gain on Sale of Investments	(350,469)	(4,970)
Unrealized (Gain) Loss on Investments	135,161	(37,368)
Dividends Re-Invested	(62,667)	(56,213)
(Increase) Decrease in:		
Contributions and Grants Receivable	(725,656)	52,436
Accounts Receivable	(4,489)	(271)
Prepaid Expenses	(7,262)	1,828
Deposits	1,695	-
Increase (Decrease) in:		
Accounts Payable	4,327	3,973
Tenant Deposits Payable	2,545	-
Earned Time Off	(13,802)	(27,438)
Accrued Payroll and Taxes	5,155	3,556
Total Adjustments	<u>(1,520,177)</u>	<u>(25,358)</u>
Net Cash Provided (Used) by Operating Activities	<u>619,306</u>	<u>(164,614)</u>
Cash Flows from Investing Activities		
Proceeds from the Sale of Investments	2,840,779	369,052
Payments for the Purchase of Property and Equipment	(10,675)	(15,250)
Payments for the Purchase of Investments	<u>(2,126,037)</u>	<u>(334,000)</u>
Net Cash Provided by Investing Activities	<u>704,067</u>	<u>19,802</u>
Cash Flows from Financing Activities		
Borrowings on Notes Payable	29,755	-
Payments on Notes Payable	<u>(32,288)</u>	<u>-</u>
Net Cash Used by Operating Activities	<u>(2,533)</u>	<u>-</u>
Net Increase (Decrease) in Cash	1,320,840	(144,812)
Cash - Beginning of Year	<u>510,831</u>	<u>655,643</u>
Cash - End of Year	<u>\$ 1,831,671</u>	<u>\$ 510,831</u>
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Interest	<u>\$ 8,102</u>	<u>\$ -</u>
Noncash Financing Activities:		
Property Acquired with Debt	<u>\$ 1,095,245</u>	<u>\$ -</u>

See notes to financial statements.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Faith Family Medical Center, Inc. ("the Center") is organized under the laws of the State of Tennessee to provide primary medical care and related healthcare services to working uninsured and other underserved individuals and their families in the greater Nashville area. The Center funds its operations from patient fees, contributions, grants and investment income.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

Financial statement presentation is reported in accordance with the FASB Accounting Standards Codification for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes cash on hand, demand deposits, money market, and investments with initial maturities of three months or less. There are no cash equivalents at December 31, 2017 and 2016.

F. Contributions and Grants Receivable

Contributions and grants receivable are recorded at fair value for all unconditional promises to give. Management has evaluated the collectability of contributions receivable based on historical data and collections subsequent to year end.

G. Accounts Receivable

Accounts receivable consists primarily of amounts due from patients for services provided by the Center. An allowance for doubtful accounts is established based on review of collection history. Receivables are written off when a balance is determined to be uncollectible, generally when it is past due for more than one year. Accounts receivable as of December 31, 2017 and 2016 are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.

H. Property and Equipment

It is the Center's policy to capitalize property and equipment over \$1,000. Purchased property and equipment are recorded at cost if purchased or fair market value if donated. Depreciation is provided using the double-declining balance and straight-line methods over the estimated useful lives of the assets ranging from 3 to 30 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for the years ended December 31, 2017 and 2016 is \$56,969 and \$59,312.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies – Continued

I. Fair Market Value

Management has adopted the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification for determining fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1: Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3: Fair value is determined using unobservable market prices in a market that is typically inactive.

J. Earned Time Off

Employees earn leave beginning with the pay period they are hired. Employees use their earned time off for vacation, personal time, sick days and eight holidays. Eligible part-time employees earn leave on a pro-rata basis based on the number of hours worked. Full-time employees earn leave days per year as follows:

Years of Service:	Hired Prior to December 31, 2009	Hired After January 1, 2010
Up to five years consecutive service	30	25
Five to ten years consecutive service	35	30
Ten years of consecutive service and subsequent	40	35

No more than one and one-half the amount of annual leave hours earned may accrue at any one time. At December 31, 2017 and 2016, earned time off is \$74,351 and \$88,153.

K. Medical Services Revenue

Medical services revenue is recorded at the Center's established rates with charity allowances deducted to arrive at net medical services revenue.

L. Contributions

Contributions are received and recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributed goods and assets are recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

M. Functional Expenses

Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies – Continued

N. Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense is \$39,208 and \$50,541 for the years ended December 31, 2017 and 2016.

O. Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities.

Note 2. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

Asset	Fair Value December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	\$ 1,983,923	\$ 1,983,923

Asset	Fair Value December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	\$ 1,884,006	\$ 1,884,006

Note 3. Investments

Investments at December 31, 2017 and 2016 are as follows:

2017			
	Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
Mutual Funds	\$ 1,474,165	\$ 1,475,519	\$ 1,354
Exchange-Traded Funds	490,344	508,404	18,060
	\$ 1,964,509	\$ 1,983,923	\$ 19,414
2016			
	Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
Equity Securities	\$ 985,187	\$ 1,150,210	\$ 165,023
Corporate Bonds	756,106	733,796	(22,310)
	\$ 1,741,293	\$ 1,884,006	\$ 142,713

Investment income for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Realized Gain, Net	\$ 350,469	\$ 4,970
Unrealized Gain (Loss), Net	(135,161)	37,368
Interest and Dividend Income	76,719	57,572
Investment Fees	(4,166)	-
Total Investment Income	\$ 287,861	\$ 99,910

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 4. Contributions and Grants Receivable

The amounts of contributions and grants receivable as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 67,040	\$ 81,841
Temporarily Restricted	1,056,013	315,556
	<u>1,123,053</u>	<u>397,397</u>
Less:		
Discounts for the Time Value of Money	(35,067)	-
Contributions and Grants Receivable, Net	<u>\$ 1,087,986</u>	<u>\$ 397,397</u>

Future collections of contributions and grants as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in Less than One Year	\$ 819,221	\$ 374,997
Receivable in One to Five Years	303,832	22,400
Total Receivables	<u>\$ 1,123,053</u>	<u>\$ 397,397</u>

Note 5. Notes Payable

The Center has a long-term note payable to Pinnacle Bank in the original amount of \$1,125,000. Interest only payments are being made monthly at a rate of 4.25%. The principal is due and payable October 2019. The loan is secured by certain investments.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Journey to Health Program	\$ 20,000	\$ 163,258
Medical Exams for Women	7,500	11,501
Medical Equipment	3,500	132,297
Capital Campaign	2,147,025	40,000
Other Time Restrictions	181,400	53,500
	<u>\$ 2,359,425</u>	<u>\$ 400,556</u>

Note 7. Conditional Promise to Give

During the years ended December 31, 2017 and 2016, the Center has been awarded Health Care Safety Net grants from the State of Tennessee. These grants reimburse the Center for primary care medical encounters provided to adults meeting the grant criteria. Once grant criteria are met, the Center recognizes grant revenue and a receivable.

Note 8. Donated Property, Equipment and Services

Donated property, equipment and services are used in the ongoing operations of the Center. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the years ended December 31, 2017 and 2016 are as follows:

<u>Revenues</u>	<u>2017</u>	<u>2016</u>
Donated Medical Services	\$ 75,936	\$ 78,415
Donated Equipment, Supplies, and Services	66,409	30,909
Donated Rent	65,810	61,200
	<u>\$ 208,155</u>	<u>\$ 170,524</u>

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 8. Donated Property, Equipment and Services – Continued

<u>Expenses and Assets</u>	<u>2017</u>	<u>2016</u>
Donated Services and Supplies	\$ 107,657	\$ 97,127
Property	25,000	9,000
Rent - Building	65,810	61,200
Meals	-	1,900
Special Events	-	550
Utilities	6,612	
Printing, Publishing and Advertising	3,076	747
	<u>\$ 208,155</u>	<u>\$ 170,524</u>

The Center receives donated pharmaceutical samples from various sources. These samples are dispensed at the Center to patients. The value of these donated samples has not been determined or recorded in the financial statements.

Note 9. Pension Plan

The Center has a simplified employee pension plan (SEP) for the benefit of its employees who have attained the age of eighteen and been employed with the Center for one year. The plan provides for discretionary contributions by the Center determined annually by the Board of Directors. Contributions to the plan are made in accordance with the Internal Revenue Service limits. For the years ended December 31, 2017 and 2016, the Center funded 6% of compensation for eligible employees for a total of \$53,587 and \$52,373.

Note 10. Operating Leases

The Center leases a medical office building from Saint Thomas Midtown Hospital. The building is located at 326 21st Avenue North in Nashville, Tennessee. The building consists of 3,400 square feet. The Center has negotiated a ten year lease expiring on December 31, 2027 for \$1 per year. The fair market retail value for the years ended December 31, 2017 and 2016 of the building is \$19.63 per square foot or \$66,742 per year and \$19.06 per square foot or \$64,804 per year respectively.

The Center leases an apartment that serves as additional office space. The lease includes monthly payments ranging between \$2,434 and \$2,531 and expired on December 31, 2017.

The Center leases copiers for a monthly payment of \$265. The lease terminates in July 2019.

Future minimum rental payments required under operating leases that have initial or remaining noncancelable base terms in excess of one year as of December 31, 2017:

<u>Operating Leases</u> <u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 32,971
2019	3,181
2020	1,856
2021	1
2022	1
Thereafter	6
Total	<u>\$ 38,016</u>

Rental expense for all operating leases for the years ended December 31, 2017 and 2016 is \$89,640 and \$89,754.

FAITH FAMILY MEDICAL CENTER, INC.
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 11. Concentration of Risks

The Center is conducting a three year capital campaign to fund the expansion of its facilities. During 2017, FFMC conducted the silence phase of the capital campaign. The significant increase in 2017 revenue compared to prior years is due to contributions and grants from this campaign. For the year ended December 31, 2017, one capital campaign donor accounted for 16% of total revenue and support.

The Center holds cash with three financial institutions in Nashville, Tennessee. Accounts at all institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017 and 2016, the Center's cash accounts exceeded the insurance coverage by \$889,920 and \$158,807. The Center believes it is not exposed to any significant credit risk on cash and equivalents.

Note 12. Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new accounting guidance will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flows statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Note 13. Subsequent Events

The Center has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2017 through April 23, 2018, the date the financial statements were available to be issued.